

December 9, 2008

**Wind Industry Comments on the RETI Phase 1B Revised Draft Report
of December 5, 2008**

The wind industry has reviewed the Revised Draft version of the RETI Phase 1B Report issued at COB on December 5, 2008. First, we are encouraged that Executive Summary of the revised draft report acknowledges our very critical concern with the wind project footprint used for performing the environmental analysis. At the same time, we are dismayed that our comments on the same matter, including results based on the actual wind project footprint, were not reflected in the main body of the report. We would like our edits to be incorporated into the environmental section of the report, or that the text otherwise be edited to reflect the agreement reached with the EWG Co-Chairs that the two sets of results be presented in the report. In line with this request, we will submit specific edits to the body of the report for use in the next version of Phase 1B draft report by tomorrow.

Second, we were very surprised and dismayed that the revised report has substantially reduced the uncertainty bands on a completely unjustified and arbitrary basis. Substantial uncertainty exists in ALL of the underlying data and assumptions that are used to calculate the final economic results (the ranking costs) of a project or a CREZ; the narrowing of the uncertainty bands is not based on any reduction in these data uncertainties but simply the desire to present “more certain” results. The RETI SSC previously agreed on a range of capacity factors and capacity cost as representative of the uncertainty in a number of factors whose variations are ignored. That agreement has been scrapped in a willy-nilly fashion with the goal of using “one standard deviation” of variation for this round in light of the fact that no one has any inkling of what the distribution or the variability of capacity factors are. At the same time, the Phase 1B analysis itself shows that “one standard deviation” in capacity cost for wind generators is 16% but B&V has arbitrarily elected to use 10% variation in the capacity cost. Furthermore, since the last draft was issued, good reasons for *increasing* the uncertainty bands have been identified. To wit, the assumed transmission costs have been shown to constitute an unjustifiably large portion of total CREZ costs. As such, the potential variation in transmission costs, which can be as high as +/-75% at this level of estimation, cannot be ignored. In summary, narrowing the range surrounding the ranking costs in pursuit of “more certain” results is not only inappropriate and contrary to prior SSC agreements, but also totally unacceptable from scientific and engineering standpoints.

Third, we note that the report, rather than correcting the transmission cost data used to perform the economic analysis as we had pointed out in our comments on the first version of the Phase 1B draft report, simply offers some general explanation of the methodology being used. We understand that correcting transmission costs (which we saw for the first time on November 5 when the first version of the draft Phase 1B report was issued) is not a trivial matter and we acknowledge the tentative agreement to develop better numbers as part of Phase 2 deliberations. For two important reasons, however, the transmission costs should be ignored for this round of analysis or, alternatively, the report should be delayed while the numbers are corrected. First, the degree of error is large

enough to affect the ranking results -- the erroneous levels of estimated transmission costs, ranging from 3% to 40% of total project costs, create significant distortions in the ranking of CREZs. This distortion not only renders the rankings essentially meaningless, but creates a risk that conceptual transmission plans could be developed that would saddle ratepayers with underutilized facilities to regions where development is not taking place. Second, such excessively large transmission costs portray large-scale renewable resources in an unjustifiably unfavorable light relative to fossil fuel generation. Such results should not be enshrined in this important report.

Fourth, we had asked for the capacity value calculations to be corrected. Instead, only a partial sensitivity case was added which still contains the erroneous transmission methodology described above. We believe that the correct capacity values, as pointed out by the wind industry, be used in the basecase economic evaluations.

Fifth, at the November 24 SSC meeting, the consultants agreed to incorporate any additional Baja wind resource for which 70-meter anemometry data was available. This data was provided during that meeting. Although the report discusses the data, it does not incorporate the data into the Baja wind resource that was economically evaluated. Given over 24,000 MW of Class 4-7 wind resources in this area, we find it untenable to assume that less than 10% could be developed on an economically competitive basis. In addition, the capacity factors the consultants are using for Baja wind resources appear to be substantially lower than what the AWS Truewind data indicate.

In summary, the remaining, serious flaws in the economic analysis combine to portray renewables generally, and wind resources specifically, in an unduly unfavorable light relative to non-renewable resources, with most shown as having less value/greater cost than gas-fired resources. Arbitrarily reducing the uncertainties associated with these values compounds the problem, and threatens to identify as “priorities” CREZs whose economic superiority cannot be soundly demonstrated. Finally, the wind industry’s long-standing concern with the environmental analysis – that it indefensibly assumes that wind projects disturb land across the entire lease area rather than the 3% of that land actually occupied -- has not been addressed in the main body of the report.

For the reasons stated above, and because other issues raised in our previous comments on the Phase 1B report have also gone unaddressed, the wind industry will regrettably be unable to support the Phase 1B final report until our concerns are properly addressed. In line with this position, and given that the Phase 2 RETI effort on developing the conceptual transmission plan has taken a path that does NOT require strict prioritization of the identified CREZs, we recommend that the December 17 adoption date be moved back as necessary to allow time to achieve full consensus on the report.

Sincerely,

Dariush Shirmohammadi & Faramarz Nabavi
RETI Wind Industry Representatives